Northern Pipeline Agency

2015–16

Departmental Performance Report

The Honourable Jim Carr, P.C., M.P.
Minister of Natural Resources

© Her Majesty the Queen in Right of Canada, as represented by the Minister of Natural Resources, 2016

Cat. No. BT31-2/2016III-31
ISSN 2368-4054

This report is published separately in both official languages.
Copies are available on the Northern Pipeline Agency website at:
http://www.npa-apn.gc.ca/publications/69

Printed in Canada

Table of Contents

Commissioner's Message 1

Results Highlights 2

Section I: Organizational Overview 3

- Organizational Profile 3
- Organizational Context 3
- Organizational Priorities 6

Section II: Expenditure Overview 7

- Actual Expenditures 7
- Budgetary Performance Summary 7
- Departmental Spending Trend 8
- Expenditures by Vote 8
- Alignment of Spending with Whole-of-Government Framework 9
- Financial Statements and Financial Statement Highlights 9

Section III: Analysis of Program(s) and Internal Services 11

- Program 11
- Internal Services 12

Section IV: Supplemenary Information 13

- Supplementary Information Tables 13
- Federal Tax Expenditures 13
- Organizational Contact Information 13

Appendix: Definitions 15

Endnotes 18

Commissioner's Message

It is my pleasure to present the *2015-16 Departmental Performance Report* for the Northern Pipeline Agency (the Agency).

The Agency was established by the *Northern Pipeline Act* (Act) in 1978 to facilitate the planning and construction by Foothills Pipe Lines Ltd. (Foothills) of the Canadian portion of the Alaska Highway Gas Pipeline (AHGP) project and to maximize social and economic benefits from its construction and operation while minimizing any adverse effects. The pipeline was certificated in 1978 under the Act to transport Alaskan and possibly northern Canadian natural gas to southern markets in Canada and the United States as provided for by the *Canada-U.S. Agreement on Principles Applicable to a Northern Natural Gas Pipeline*.

The southern portion of the pipeline was constructed in the early 1980s and presently transports Canadian gas to commercial markets. Unfavourable economic conditions have led to several delays in the completion of the northern portion of the pipeline.

In 2008, TransCanada PipeLines Limited (TransCanada), which now owns Foothills, was selected by the State of Alaska to pursue a large-scale pipeline project that would transport natural gas in a large diameter buried pipeline from Prudhoe Bay, Alaska to Boundary Lake, Alberta using the northern portion of the AHGP project. However, TransCanada notified the Agency in February 2013 that no further work is planned on the AHGP for now and will await further commercial interest before recommencing its efforts.

To align with the reduction in the AHGP project activities for the foreseeable future, the Agency has scaled down its operations to a minimal level while continuing to fulfill Canada's ongoing obligations as set out in the Act. During this time, the Agency will also respond to any incoming inquiries from other government agencies, Indigenous groups and the public.

Christyne Tremblay
Commissioner

Results Highlights

- **What funds were used?** $456,055
- **Who was involved?** 2 Full-Time Equivalents (FTEs)
- **Results Highlights**
    - The Agency has scaled down its operations to a minimal level to fulfill Canada's ongoing obligations as set out in the Act
    - The Agency exceeded its target for performance in responding to requests from external parties in a timely fashion.

Section I: Organizational Overview

Organizational Profile

Appropriate Minister: The Honourable Jim Carr, P.C., M.P.

Institution Head: Christyne Tremblay

Ministerial Portfolio: Natural Resources Canada

Enabling Instrument: *Northern Pipeline Act* [i](R.S.C., 1985, c. N-26)

Year of Incorporation/Commencement: 1978

Other: The operating costs of the Northern Pipeline Agency (the NPA or Agency) to carry out federal responsibilities for the planning and construction of the Alaska Highway Natural Gas Pipeline (AHGP) project are fully recovered from the project proponent, Foothills Pipe Lines Ltd. (Foothills). Foothills is now fully owned by TransCanada PipeLines Limited (TransCanada).

Organizational Context

Raison d'être

The Northern Pipeline Agency (NPA) was established by the Northern Pipeline Act in 1978 and, in the context of the 1977 Agreement Between Canada and the United States of America on Principles Applicable to a Northern Natural Gas Pipeline. NPA has a mandate to carry out federal responsibilities in respect of the planning and construction of the Canadian portion of the Alaska Natural Gas Pipeline. The NPA plays a key role in supporting efficient and expeditious regulatory approval while ensuring environmental protection and social and economic benefits for Canada.

Responsibilities

The Agency was created under the Act in 1978 to:

- facilitate the efficient and expeditious planning and construction of the Canadian portion of the AHGP project, taking into account local and regional interests, the interests of the residents, particularly of Indigenous Peoples, and recognizing the responsibilities of the Government of Canada and other governments, as appropriate;
- facilitate, in relation to the pipeline, consultation and coordination with the governments of the provinces, the Yukon Territory, and the Northwest Territories;

- maximize the social and economic benefits from the construction and operation of the pipeline while at the same time minimizing any adverse effect on the social and environmental conditions of the areas most directly affected by the pipeline; and
- advance national economic and energy interests and maximize related industrial benefits.

The Agency was responsible for the regulatory oversight of the construction of Phase I (the southern portion) of the AHGP (also known as the Prebuild) in 1981-82 for the initial purpose of transporting gas sourced from Western Canada to the United States (U.S.). These facilities, located in southern British Columbia, Alberta and Saskatchewan, were expanded five times between 1985 and 1998 under the authority of the Act. The current flow capacity of the Prebuild is approximately 94.5 million cubic metres per day (3.3 billion cubic feet per day).

Phase II (the northern portion) of the AHGP would link the Prebuild with U.S. natural gas reserves at Prudhoe Bay in Alaska. Economic conditions since 1982 have led to several delays in the completion of the AHGP and fluctuating activity levels for the Agency. Prior to commencing construction of this section of the pipeline, Foothills/TransCanada is required to obtain a comprehensive series of specific approvals from the Agency as set out under the Act. These approvals relate to socio-economic and environmental requirements, routing, technical and engineering design and other matters, such as the demonstration of project financing.

The Agency is also responsible for the administration of the Canada and Foothills easement agreement which was entered into on November 24, 1983. Pursuant to the decision under the Act, a grant of easement was issued by Order in Council on November 28, 1983. The easement follows the Alaska Highway from the Yukon-Alaska border near Beaver Creek, Yukon, to the Yukon-British Columbia border near Watson Lake, Yukon. The easement agreement allows Foothills/TransCanada to conduct investigative work on easement lands; however, the company requires the approval of the minister responsible for the Agency before it can begin pipeline construction. Unless the term is once again amended, the agreement will expire on September 20, 2022. In addition to the easement, the Agency holds approximately 220 reserves of land along the pipeline route that could be used to support the construction and operation of the pipeline system.

To align with the reduction in the AHGP project activities for the foreseeable future, the Agency has scaled down its operations to a minimal level to fulfill Canada's ongoing obligations as set out in the Act. During this time of reduced activities, the Agency will also respond to any incoming inquiries from other government agencies, Indigenous groups and the public. The future of the northern portion of the AHGP continues to rest with its proponents and the commercial marketplace.

Strategic Outcome(s) and Program Alignment Architecture

The Agency has a single strategic outcome and a single program.

Strategic Outcome: The planning and construction of the Canadian portion of the Alaska Highway Gas Pipeline project is efficient and expeditious while ensuring environmental protection and social and economic benefits for Canadians.

Program: Oversee and Regulate the Alaska Highway Gas Pipeline Project

Oversee the planning and construction of the Canadian portion of the Alaska Highway Gas Pipeline Project.

Internal Services

Operating Environment and Risk Analysis

In May 2012, Foothills/TransCanada notified the Agency that no regulatory filings were planned on the AHGP for now and of their intentions to maintain the AHGP project assets in Canada. Foothills/TransCanada updated the Agency in February 2013 that no further work is planned on the AHGP and will await further commercial interest before recommencing its efforts.

The challenge before the Agency is to preserve the progress and outcomes achieved in recent years to deliver an efficient and effective regulatory review framework of updated environmental, socio-economic and technical information which takes into account changes since the Act came into force and the pipeline was certificated in the late 1970s. Failure to be positioned for timely preparations, should the project be resumed, could jeopardize the Government of Canada's performance of its responsibilities under the Act.

Key Risks

Risk	Risk Response Strategy	Link to Organization's Program
The Agency needs to be able to manage its ongoing core responsibilities and be in a position to adjust quickly should the proponent receive a clear positive response from the marketplace, and Phase II work is resumed.	The Agency will continue to maintain a minimum level of resources to fulfil ongoing responsibilities until such time as Foothills/TransCanada resumes the project or that Agency actions or federal decisions are needed.	Oversee the planning and construction of the Canadian portion of the Alaska Highway Gas Pipeline Project.

Organizational Priorities

Maintain State of Federal Readiness

Description

Effectively administer the Act to fulfill Canada's ongoing obligations as set out in the Act and maintain the state of federal readiness should Foothills/TransCanada proceed with the construction of northern portion of the AHGP project.

Priority Type[1]

Ongoing

Key Supporting Initiatives

Planned Initiatives	Start Date	End Date	Status	Link to the Organization's Program(s)
Effectively administer the Act and maintain the state of federal readiness to effectively respond to regulatory filings.	April 2015	To be determined	On track	Oversee the planning and construction of the Canadian portion of the Alaska Highway Gas Pipeline Project.

Progress Toward the Priority
Although the project is not being pursued by Foothills/TransCanada at this time, the Agency maintained a core level of resources to carry out the necessary responsibilities as mandated under the Act and to maintain the progress achieved on developing a regulatory framework should the project proceed at a future point. In alignment with the reduction in the AHGP project activities for the foreseeable future, the NPA maintained dialogue as needed throughout the year with key stakeholders, including Foothills/TransCanada, other government agencies, and Indigenous groups.

For more information on organizational priorities, see the Minister's mandate letter.[ii]

1. Type is defined as follows: previously committed to—committed to in the first or second fiscal year prior to the subject year of the report; ongoing—committed to at least three fiscal years prior to the subject year of the report; and new—newly committed to in the reporting year of the Report on Plans and Priorities or the Departmental Performance Report.

Section II: Expenditure Overview

Actual Expenditures

Budgetary Financial Resources (dollars)

2015–16 Main Estimates	2015–16 Planned Spending	2015–16 Total Authorities Available for Use	2015–16 Actual Spending (authorities used)	Difference (actual minus planned)
750,775	750,775	731,301	456,055	(294,720)

Human Resources (Full-Time Equivalents [FTEs])

2015–16 Planned	2015–16 Actual	2015–16 Difference (actual minus planned)
4	2	(2)

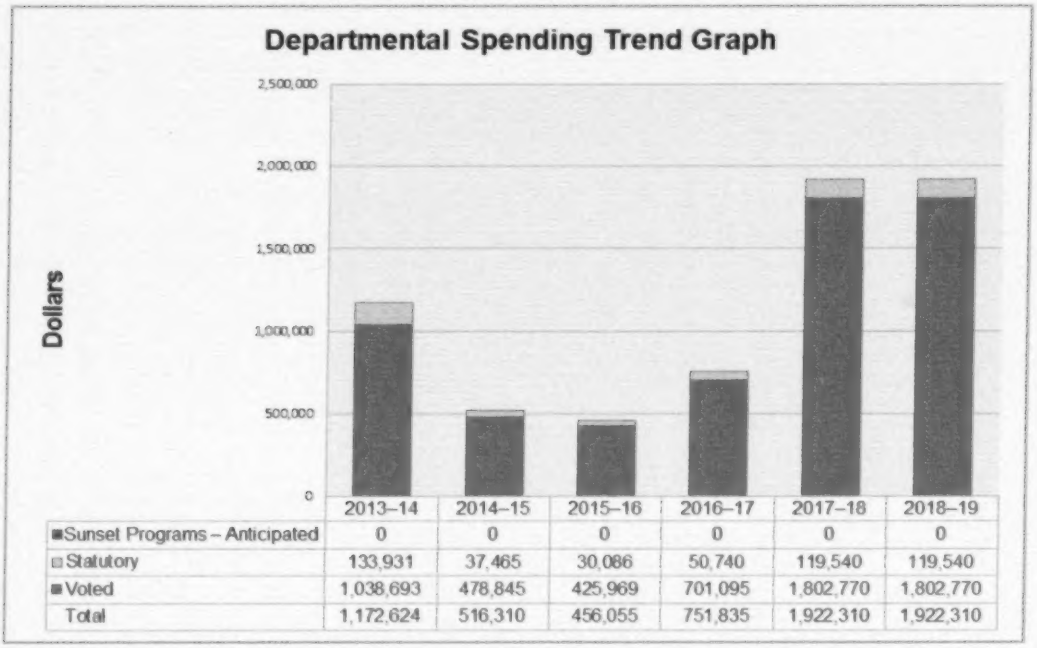
Budgetary Performance Summary

Budgetary Performance Summary for Program(s) and Internal Services (dollars)

Program(s) and Internal Services	2015–16 Main Estimates	2015–16 Planned Spending	2016–17 Planned Spending	2017–18 Planned Spending	2015–16 Total Authorities Available for Use	2015–16 Actual Spending (authorities used)	2014–15 Actual Spending (authorities used)	2013–14 Actual Spending (authorities used)
Oversee the planning and construction of the Canadian portion of the AHGP Project.	750,775	750,775	751,835	1,922,310	731,301	456,055	516,310	1,172,624
Internal Services	0	0	0	0	0	0	0	0
Total	750,775	750,775	751,835	1,922,310	731,301	456,055	516,310	1,172,624

In 2015-16, the Agency spent only $456,055 compared to the planned spending of $750,775. This reduction in spending since 2013-14 aligns with the reduction in the AHGP project activities while continuing to fulfill Canada's obligations under the Act.

Departmental Spending Trend



	2013–14	2014–15	2015–16	2016–17	2017–18	2018–19
Sunset Programs – Anticipated	0	0	0	0	0	0
Statutory	133,931	37,465	30,086	50,740	119,540	119,540
Voted	1,038,693	478,845	425,969	701,095	1,802,770	1,802,770
Total	1,172,624	516,310	456,055	751,835	1,922,310	1,922,310

The Agency's actual spending has decreased each year between 2013-14 and 2015-16. This reduction in spending aligns with the reduction in the AHGP project activities while continuing to fulfill Canada's obligations under the Act. The Agency's forecasted spending for 2016-17 onwards reflects the increased funding allocated to the Agency when Phase II (the northern portion) of the project was being advanced by Foothills/TransCanada. The planned spending in 2017-18 and future years will be re-assessed in 2016-17 and adjusted as necessary.

Expenditures by Vote

For information on the Agency's organizational voted and statutory expenditures, consult the *Public Accounts of Canada 2016*.[iii]

Alignment of Spending With the Whole-of-Government Framework

Alignment of 2015–16 Actual Spending With the Whole-of-Government Framework[iv] (dollars)

Program	Spending Area	Government of Canada Outcome	2015–16 Actual Spending
Oversee the planning and construction of the Canadian portion of the AHGP Project.	Economic Affairs	Strong economic growth	456,055

Total Spending by Spending Area (dollars)

Spending Area	Total Planned Spending	Total Actual Spending
Economic Affairs	750,775	456,055
Social Affairs	0	0
International Affairs	0	0
Government Affairs	0	0

Financial Statements and Financial Statements Highlights

Financial Statements

The Agency's financial statements are available on the NPA's website[v].

Financial Statements Highlights

The financial statements highlights are intended to provide a general overview of the Agency's net cost of operations before government funding and transfers and of the financial position.

The financial statements highlights presented in this section are drawn from Agency's financial statements and have been prepared in accordance with Treasury Board accounting policies, which are based on Canadian public sector accounting standards and are therefore different from reporting on the use of authorities, reflected in Section I and II of this report. Reconciliation between authorities used and the net cost of operations is set out in Note 3 of the Agency's financial statements.

Condensed Statement of Operations (unaudited) For the Year Ended March 31, 2016 (dollars)

Financial Information	2015–16 Planned Results*	2015–16 Actual	2014–15 Actual	Difference (2015–16 actual minus 2015–16 planned)	Difference (2015–16 actual minus 2014–15 actual)
Total expenses	756,870	451,303	520,606	(305,567)	(69,303)
Total revenues	0	0	0	0	0
Net cost of operations before government funding and transfers	756,870	451,303	520,606	(305,567)	(69,303)

* For information on the Agency's planned results consult NPA's 2015-16 Future-Oriented Statement of Operations.[vi]

In 2015-16, the Agency spent only $451,303 compared to the previous year spending of $520,606. This reduction in spending aligns with the reduction in the AHGP project activities while continuing to fulfill Canada's obligations under the Act.

Condensed Statement of Financial Position (unaudited) As at March 31, 2016 (dollars)

Financial Information	2015–16	2014–15	Difference (2015–16 minus 2014–15)
Total net liabilities	56,038	59,976	(3,938)
Total net financial assets	42,929	41,876	1,053
Departmental net debt	13,109	18,100	(4,991)
Total non-financial assets	13,109	18,100	(4,991)
Departmental net financial position	0	0	0

Total net liabilities were $56,038 in 2015-16, compared to $59,976 in 2014-15, for a decrease of $3,938. The variances are mainly due to the decrease in accounts payable to other government departments and agencies.

Total non-financial assets were $13,109 in 2015-16, compared to $18,100 in 2014-15, for a net decrease of $4,991. This variance is due to the transfer of tangible capital assets to another government department and the amortization of capital assets.

Section III: Analysis of Program(s) and Internal Services

Program:

Oversee the planning and construction of the Canadian portion of the Alaska Highway Natural Gas Pipeline Project.

Description

Regulate the planning and construction of the Canadian portion of the Alaska Highway Natural Gas Pipeline Project.

Program Performance Analysis and Lessons Learned

To align with the reduction in the AHGP project activities in the 2015-16 fiscal year, the Agency scaled down its operations while continuing to fulfil Canada's obligations as set out in the Act. The Agency continued to reduce its actual spending compared to the previous year and received only one external request related to the project.

There are no lessons learned to report at this time.

Budgetary Financial Resources (dollars)

2015-16 Main Estimates	2015–16 Planned Spending	2015–16 Total Authorities Available for Use	2015–16 Actual Spending (authorities used)	2015–16 Difference (actual minus planned)
750,775	750,775	731,301	456,055	(294,720)

Human Resources (Full-Time Equivalents [FTEs])

2015–16 Planned	2015–16 Actual	2015–16 Difference (actual minus planned)
4	2	(2)

Performance Results

Expected Results	Performance Indicators	Target	Actual Results
The Agency will maintain the appropriate level of preparation activities for a regulatory framework which accommodates modern environmental practices, takes into account the rights of Indigenous people, and considers the interest of provincial-territorial governments,	The Agency will respond to company and public correspondence within 15 business days of	80%	100%

so as to remain prepared to effectively regulate and facilitate the planning and construction of the pipeline should the project proceed.	receipt.		

Internal Services

Description

Internal Services are groups of related activities and resources that are administered to support the needs of programs and other corporate obligations of an organization. Internal services include only those activities and resources that apply across an organization, and not those provided to a specific program. The groups of activities are Management and Oversight Services; Communications Services; Legal Services; Human Resources Management Services; Financial Management Services; Information Management Services; Information Technology Services; Real Property Services; Materiel Services; and Acquisition Services.

Performance Analysis and Lessons Learned

The Agency did not incur any costs associated with Internal Services. As a smaller and separate federal entity, the Agency retained internal services from Natural Resources Canada through a Service Agreement. In addition, as the Agency has a single program, internal service expenditures were considered to be totally related to the delivery of that single program.

There are no lessons learned to report at this time.

Budgetary Financial Resources (dollars)

2015–16 Main Estimates	2015–16 Planned Spending	2015–16 Total Authorities Available for Use	2015–16 Actual Spending (authorities used)	2015–16 Difference (actual minus planned)
0	0	0	0	0

Human Resources (FTEs)

2015–16 Planned	2015–16 Actual	2015–16 Difference (actual minus planned)
0	0	0

Section IV: Supplementary Information

Supplementary Information Tables

The following supplementary information table is available on the Agency's website[vii]:

- User Fees, Regulatory Charges and External Fees.

Federal Tax Expenditures

The tax system can be used to achieve public policy objectives through the application of special measures such as low tax rates, exemptions, deductions, deferrals and credits. The Department of Finance Canada publishes cost estimates and projections for these measures annually in the Report of Federal Tax Expenditures.[viii] This report also provides detailed background information on tax expenditures, including descriptions, objectives, historical information and references to related federal spending programs. The tax measures presented in this report are the responsibility of the Minister of Finance.

Organizational Contact Information

The Agency has been designated as a department for the purposes of the *Financial Administration Act*. The Agency currently reports to Parliament through the Minister of Natural Resources Canada, who is responsible for the management and direction of the Agency. The Agency has one senior officer, a Commissioner appointed by the Governor in Council. The Commissioner is currently the Deputy Minister of Natural Resources Canada. The Agency's organizational structure is defined by the Act.

The Agency's contact information is as follows:

Mailing address:
470-588 Booth Street
Ottawa, ON K1A 0Y7

Phone: (613) 995-1150

Email: info@npa-apn.gc.ca

Appendix: Definitions

appropriation (*crédit*): Any authority of Parliament to pay money out of the Consolidated Revenue Fund.

budgetary expenditures (*dépenses budgétaires*): Operating and capital expenditures; transfer payments to other levels of government, organizations or individuals; and payments to Crown corporations.

Departmental Performance Report (*rapport ministériel sur le rendement*): Reports on an appropriated organization's actual accomplishments against the plans, priorities and expected results set out in the corresponding Reports on Plans and Priorities. These reports are tabled in Parliament in the fall.

full-time equivalent (*équivalent temps plein*): A measure of the extent to which an employee represents a full person-year charge against a departmental budget. Full-time equivalents are calculated as a ratio of assigned hours of work to scheduled hours of work. Scheduled hours of work are set out in collective agreements.

Government of Canada outcomes (*résultats du gouvernement du Canada*): A set of 16 high-level objectives defined for the government as a whole, grouped in four spending areas: economic affairs, social affairs, international affairs and government affairs.

Management, Resources and Results Structure (*Structure de la gestion, des ressources et des résultats*)**:** A comprehensive framework that consists of an organization's inventory of programs, resources, results, performance indicators and governance information. Programs and results are depicted in their hierarchical relationship to each other and to the Strategic Outcome(s) to which they contribute. The Management, Resources and Results Structure is developed from the Program Alignment Architecture.

non-budgetary expenditures (*dépenses non budgétaires*): Net outlays and receipts related to loans, investments and advances, which change the composition of the financial assets of the Government of Canada.

performance (*rendement*)**:** What an organization did with its resources to achieve its results, how well those results compare to what the organization intended to achieve, and how well lessons learned have been identified.

performance indicator (*indicateur de rendement*): A qualitative or quantitative means of measuring an output or outcome, with the intention of gauging the performance of an organization, program, policy or initiative respecting expected results.

performance reporting (*production de rapports sur le rendement*): The process of communicating evidence-based performance information. Performance reporting supports decision making, accountability and transparency.

planned spending (*dépenses prévues*): For Reports on Plans and Priorities (RPPs) and Departmental Performance Reports (DPRs), planned spending refers to those amounts that receive Treasury Board approval by February 1. Therefore, planned spending may include amounts incremental to planned expenditures presented in the Main Estimates.

A department is expected to be aware of the authorities that it has sought and received. The determination of planned spending is a departmental responsibility, and departments must be able to defend the expenditure and accrual numbers presented in their RPPs and DPRs.

plans (*plan*): The articulation of strategic choices, which provides information on how an organization intends to achieve its priorities and associated results. Generally a plan will explain the logic behind the strategies chosen and tend to focus on actions that lead up to the expected result.

priorities (*priorité*)**:** Plans or projects that an organization has chosen to focus and report on during the planning period. Priorities represent the things that are most important or what must be done first to support the achievement of the desired Strategic Outcome(s).

program (*programme*)**:** A group of related resource inputs and activities that are managed to meet specific needs and to achieve intended results and that are treated as a budgetary unit.

Program Alignment Architecture (*architecture d'alignement des programmes*)**:** A structured inventory of an organization's programs depicting the hierarchical relationship between programs and the Strategic Outcome(s) to which they contribute.

Report on Plans and Priorities (*rapport sur les plans et les priorités*): Provides information on the plans and expected performance of appropriated organizations over a three-year period. These reports are tabled in Parliament each spring.

results (*résultat*): An external consequence attributed, in part, to an organization, policy, program or initiative. Results are not within the control of a single organization, policy, program or initiative; instead they are within the area of the organization's influence.

statutory expenditures (*dépenses législatives*): Expenditures that Parliament has approved through legislation other than appropriation acts. The legislation sets out the purpose of the expenditures and the terms and conditions under which they may be made.

Strategic Outcome (*résultat stratégique*): A long-term and enduring benefit to Canadians that is linked to the organization's mandate, vision and core functions.

sunset program (*programme temporisé*): A time-limited program that does not have an ongoing funding and policy authority. When the program is set to expire, a decision must be made whether to continue the program. In the case of a renewal, the decision specifies the scope, funding level and duration.

target (*cible*): A measurable performance or success level that an organization, program or initiative plans to achieve within a specified time period. Targets can be either quantitative or qualitative.

voted expenditures (*dépenses votées*): Expenditures that Parliament approves annually through an Appropriation Act. The Vote wording becomes the governing conditions under which these expenditures may be made.

Whole-of-government framework (*cadre pangouvernemental*): Maps the financial contributions of federal organizations receiving appropriations by aligning their Programs to a set of 16 government-wide, high-level outcome areas, grouped under four spending areas.

Endnotes

i. **Northern Pipeline Act**, http://laws-lois.justice.gc.ca/eng/acts/N-26/index.html
ii. **Minister's mandate letter**, http://pm.gc.ca/eng/minister/honourable-james-gordon-carr
iii. **Public Accounts of Canada 2016**, http://www.tpsgc-pwgsc.gc.ca/recgen/cpc-pac/index-eng.html
iv. **Whole-of-government framework**, http://www.tbs-sct.gc.ca/hgw-cgf/finances/rgs-erdg/wgf-ipp-eng.asp
v. **NPA Financial Statements**, http://npa.gc.ca/publications/147
vi. **NPA Future Oriented Financial Statements**, http://npa.gc.ca/publications/309
vii. **NPA Supplementary Information Table**, http://npa.gc.ca/publications/69
viii. **Report of Federal Tax Expenditures**, http://www.fin.gc.ca/purl/taxexp-eng.asp